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Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 6th meeting

Held at Headquarters, New York, on Monday, 24 April 2006, at 9.30 a.m.

President: Mr. Hachani ..... (Tunisia)

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The meeting was called to order at 9.45 a.m.

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (E/2006/48 and Corr.1)

1. **The President** recalled that at the 2005 World Summit, world leaders had reaffirmed their commitment to achieving the Millennium Development Goals and the goals of the major United Nations conferences and summits and had recognized that, to meet the 2015 deadline, implementation needed to be stepped up. To that end, the Summit had assigned several new functions to the Economic and Social Council: conducting annual ministerial reviews of progress towards agreed development goals, convening a global Development Cooperation Forum; and strengthening the Council as a forum for global policy dialogue. Each new task placed the Council at the centre of the effort to monitor and advance implementation of the development agenda. The Council could only successfully undertake those functions with the full engagement of all stakeholders.

2. The large number of high-level participants present attested to the critical importance of development cooperation for human welfare throughout the world. He was encouraged by their joint deliberations for preparation of the meeting and the evolving partnership with the key international development, finance and trade institutions and the other main institutional stakeholders of the Monterrey Consensus. Under the umbrella of the overall theme "Coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus and the 2005 World Summit Outcome", four key subjects would be considered: implementation of and support for national development strategies; fulfilment of the development dimension of the Doha Work Programme: Next steps, including in the area of "Aid for Trade"; external debt; and supporting the development efforts of middle-income developing countries. The last theme was particularly innovative in the dialogue between the Council and international institutions and was of particular interest to a growing number of developing countries.

3. A note by the Secretary-General had been prepared as a background for discussions. The note, which would prove particularly useful for the round-table discussions, pointed to the opportunity provided by the present meeting, coming as it did after the International Monetary and Financial Committee (IMFC) meeting, to provide an update regarding progress in enhancing the voice and participation of developing countries and countries with economies in transition in economic decision-making and norm-setting.

4. The recent International Monetary Fund (IMF) and World Bank ministerial meetings in Washington had confirmed the likelihood of continuing satisfactory growth for the world economy, at least in the short term; and indeed, current circumstances provided an opportunity to advance more rapidly on the path to achievement of the internationally agreed development goals. Taking difficult decisions and implementing them, and undertaking required reforms, could be facilitated by an increase in economic and financial resources as a result of a growing world economy. Today's deliberations were important in identifying how that opportunity could be seized.

5. **The Secretary-General** said that the 2005 World Summit had marked a significant advance for the cause of development, triggering positive steps on aid, debt relief and other matters that had been sought for many years. Reaffirming their support for the global partnership for development embodied in the Monterrey Consensus, Member States had pledged to adopt, no later than the end of 2006, comprehensive national development strategies for achieving the internationally agreed development objectives, including the Millennium Development Goals. Such strategies, which would help place the Goals and other international commitments at the centre of national policymaking, on the Millennium Development Goals, yet some of them, including some poverty reduction strategy papers, failed to give sufficient weight to the Millennium Development Goals. The strategies should focus on measurable results and explore policy options best suited to local circumstances. They needed to be based on actual investment needs and include details on how domestic and external resources could be mobilized and then allocated for maximum effect. The United Nations system would help Governments improve the capacities needed to formulate their own strategies. He urged the Bretton Woods institutions to work with the United Nations and other partners as a team.

6. He was encouraged by progress made in mobilizing resources for development. Since 2001, the amount of official development assistance (ODA) had almost doubled and, as a share of GNI, had reached a level not seen since 1992. Meanwhile, debt servicing by the heavily indebted poor countries (HIPC) had declined and further progress was expected now that the Multilateral Debt Relief Initiative, proposed by the Group of Eight (G8), was being implemented by IMF and the World Bank. Important strides had also been made on innovative financing for development. A few years earlier, the topic had been almost taboo; today, various proposals were being implemented by different Member States, including a levy on air tickets and a mechanism to frontload funds for immunizing children. Still, more needed to be done. A large part of the increase in ODA had concentrated on debt relief and emergency relief, meaning that flexible funding for financing Millennium Development Goal strategies had not increased enough.

7. Alongside gains in other areas, the lack of significant progress on trade was conspicuous, even perilous. At the 2005 World Summit, leaders had pledged to work quickly, while at the World Trade Organization (WTO) Ministerial Conference in December 2005, ambitious deadlines had been set. The challenge now was to deliver. He urged developed countries to adopt bold liberalization measures leading to a successful conclusion of the Doha round. Developing countries needed genuine market access opportunities for their goods and services, and the least developed countries should enjoy duty- and quota-free access for theirs. It was also time for trade-distorting agricultural subsidies to be eliminated, in particular for sensitive products such as cotton. It was important to deal effectively with the costs arising from adjustment and the erosion of current preferences. Moreover, many countries would need assistance in order to benefit from current and new opportunities. For that reason, he welcomed the aid-for-trade initiative, which should be promptly and fully funded and implemented.

8. Those were just some of the many sensible steps which, while fostering prosperity and opportunity for people everywhere, would allow poor and marginalized people, especially in the least developed countries, to lift themselves out of poverty. Yet he feared that, as a result of the difficulties encountered by negotiations, some participants had settled for something less than a true development round. That must not be allowed to happen. The international community must maintain its ambition, sustain the drive and demonstrate the political courage needed to conclude the talks by the end of the year.

9. Lastly, he welcomed the steps just taken by IMF to address the question of greater participation by developing countries in its decision-making and urged it to use its September 2006 meeting in Singapore to give a real voice to the developing world, which was a matter of both principle and effectiveness. He also hoped that other intergovernmental bodies, not least the Security Council, would follow suit and make their membership and procedures more representative of today's realities. The 2015 target was closer than many people thought. The international community's agenda for at least the next decade was clear. The international community must not disappoint the millions of people who looked to it, and its organizations, for help in bettering their lives and those of future generations.

10. **Mr. Carrasquilla Barrera** (Chairman, Development Committee) said that 2005 had been a milestone year for development with such landmarks as the G8 Summit in Gleneagles, the High-Level Forum on Aid Effectiveness in Paris, the WTO Ministerial Conference in Hong Kong and, most centrally, the World Summit in September. The commitments made in 2005 had given new impetus to the development agenda and to progress on the Millennium Development Goals. The challenge was to translate those commitments into a programme of action.

11. In many ways, the environment for scaling up ambition on the development agenda had never been better. Developing country growth was at historically high levels. Yet, as the Global Monitoring Report 2006 highlighted, poverty reduction remained uneven. While some countries had met or were about to meet the Millennium Development Goals, other regions, such as Latin America, were slightly off the target trajectory and very few African countries would reach the Goal relating to poverty, despite the acceleration in per capita growth. Progress on the Goals relating to human development was less favourable, with current trends suggesting that many developing countries would fail to meet them. At the Development Committee meeting, Ministers had agreed with the Global Monitoring Report that it was feasible, indeed imperative, to do better. To do so would require concerted efforts by developed and developing countries and by

international agencies on a broad agenda focused on trade and governance based on mutual accountability.

12. Governance had emerged as an essential element of the mutual accountability framework. Contrary to what was often thought, progress in monitoring governance could be both rapid and substantial. Ministers had agreed on the need to improve governance worldwide, build effective States with strong national systems and work together on implementing global initiatives in that area. They had also called on the World Bank to lay out a broad strategy to help member countries strengthen governance and further combat corruption.

13. Ministers at the Development Committee meeting had welcomed the progress made since the Gleneagles Summit on both aid flows and debt relief. They had noted the progress with respect to the International Finance Facility for Immunization (IFFIm) and Advance Market Commitments for vaccines, the levy on airline tickets, the continuing work on blending arrangements, and the rising trend of net private flows to developing countries, including remittances.

14. Ministers had also called for rapid progress in implementing the Paris Declaration on Aid Effectiveness, through improved modalities and a stronger focus on results. Aid — which was often fragmented, unpredictable and poorly aligned with country strategies — must help build core infrastructure and finance recurrent costs that were so vital to expanding social services. The Declaration must be followed by concrete actions to improve aid quality and strengthen delivery mechanisms. Developing countries must strengthen their financial resource management and donors must improve aid quality. To that end, donors had been encouraged to move towards multi-year plans and commitments and to be ready to finance recurrent costs where sector policies were sound and fiduciary conditions adequate.

15. Ministers had welcomed the progress made in implementing the Multilateral Debt Relief Initiative at IMF and the World Bank and had stressed the importance of fully compensating the International Development Association (IDA) for foregone reflows resulting from debt relief. They had also called on the World Bank and IMF to put forward proposals to further refine the Debt Sustainability Framework in Low-Income Countries to support growth and avoid accumulation of unsustainable debt. Discussions had therefore highlighted the need to effectively tack "free riding", where non-concessional lenders mig indirectly obtain financial gain from IDA grants a debt forgiveness. Ministers had called on all expo credit agencies, international financial institutions a other official creditors to participate in such approach and use the debt sustainability framework their lending decisions. It was also critical for HI countries to improve debt management and ensure th the saving from debt relief was used effectively poverty reduction.

16. Implementation of the Doha Developme Agenda was a critical complement to other efforts increase growth and reduce global poverty. Followi the modest progress made in Hong Kong in Decemb 2005, Ministers had urged all WTO members to step their efforts to reach a successful conclusion of t Doha Round by the end of 2006. They had al welcomed a significant increase in donor commitmer for aid for trade and the creation of a WTO taskfor responsible for recommendations on how to make a for trade operational.

17. Welcoming the attention paid in today's dialog to support for the development efforts of middl income countries, he said that such countries were k to achieving global poverty reduction goals a providing global public goods, such as fighti communicable diseases, trade integration, internation financial stability, clean energy and environment protection. However, most of them faced constraints mobilizing the necessary funds. He was therefo pleased to announce that the Development Committ would be focusing on middle-income countries at next meeting.

18. Another issue with important implications f development and financing was that of securi affordable and cost-effective energy supplies underpin economic growth and poverty reduction whi preserving the environment. Two thirds of the increa in world primary energy demand over the next 25 yea would come from developing countries. Meeting th demand would require investments of around $3 billion a year. It was important to ensure that su investments were directed towards more efficient a lower-carbon energy sources. Ministers had therefo agreed to explore ways to help developing countri enhance their access to affordable, sustainable a reliable modern energy services, while paying attenti to environmental considerations. They had also not

that adaptation to climate change for poor countries was a critical development issue and reaffirmed their commitment to the United Nations Framework Convention on Climate Change.

19. Lastly, although the voice and participation of developing and transition economies was not a part of the formal agenda of the spring meeting, Ministers had welcomed the discussion of quota and voice issues at IMF and confirmed their intention to continue discussions with a view to building the necessary political consensus on the voice issue at the World Bank.

20. The Monterrey Consensus had outlined a new partnership between the developing and developed world. At the 2005 World Summit, leaders had reaffirmed their commitment to the shared development goals and to accelerating efforts to achieve measurable results. That required the continued cooperation and engagement of the international community, in particular a strong partnership between the United Nations and the Bretton Woods institutions. In that context, the Development Committee recognized the importance of recent efforts to revitalize the Council's role as one of the main United Nations bodies responsible for economic and social development and saw today's dialogue as central to international development cooperation.

21. **Mr. Ransford Smith** (President, Trade and Development Board) said that UNCTAD concerned itself with two questions in the area of national development strategies: first, what was a good strategy; and, secondly, what kind of international environment was required to make a good strategy effective. Experience had shown that it was important for Governments to have autonomy in creating development strategies specific to the circumstances of each country. Faster growth in the world economy and increased international demand for goods exported by developing countries had led to improved economic performance for many developing countries. Nonetheless, a large number of developing countries were still lagging behind in accomplishing their development objectives, including the Millennium Development Goals. Those countries needed help in designing and implementing their development strategies, as well as financial and technical support.

22. Regrettably, the outcomes of the WTO Ministerial Conference in Hong Kong had fallen short of expectations, particularly on issues having to do with market access for less developed countries. The Doha Round required renewed commitment, so that promise and reality converged. At the Hong Kong meeting, aid for trade had been recognized as necessary to help developing countries to become a part of the international trading system. Trade-related assistance would be needed in many countries to cover the building of infrastructure and costs related to the implementation of new WTO agreements, inter alia. The decision by the G8 to provide resources to finance HIPC debt relief was an important contribution. There remained, however, the question of the debt relief of highly indebted non-HIPC countries. Moreover, it was essential that debt relief should be additional to new commitments of ODA. It was important to strengthen the international competitiveness of middle-income countries in manufacturing and services so that they could develop effectively and meet the challenges of globalization. Many middle-income developing countries were still faced with high levels of debt, which required the attention of the international community.

23. **Mr. Carstens** (Deputy Managing Director, International Monetary Fund), reporting on the meeting of the International Monetary and Financial Committee, held in Washington, D.C. the previous week, said that the Committee had welcomed the continued strong expansion of the global economy, which was becoming geographically more broad, but had warned about such risks as continued high oil prices, a rise in protectionism and a possible avian flu pandemic, which called for vigilance on the part of policymakers.

24. The Committee had noted that joint actions by the international community would result in more effective responses to the global economic situation than would individual actions. Necessary steps to reduce the risks associated with imbalances included increasing national savings in the United States, implementing structural reforms in the euro area and Japan, allowing greater exchange flexibility in surplus countries in Asia, and ensuring efficient absorption of oil revenues in oil-exporting countries. If there was to be global growth and poverty reduction, a substantive outcome to the Doha Round by the end of 2006 was crucial. Aid for trade would help poor countries become more

integrated into a multilateral trading system. In addition, achieving the Millennium Development Goals required a partnership between poor countries, who should continue to pursue sound macroeconomic policies, and donors, who should follow through on their commitments to provide additional resources.

25. The Committee had reiterated the importance of making IMF surveillance more effective and had proposed a new framework for IMF surveillance, with the emphasis on multilateral issues, especially monetary, financial, fiscal and exchange rate policies. It had stressed the critical role of IMF in low-income countries, including in helping to ensure that increases in aid flows are absorbed effectively. Advice and support from IMF regarding capacity-building and financial assistance should be closely aligned with a country's needs. The Committee had welcomed the debt relief provided by IMF, particularly under the HIPC Initiative and the Multilateral Debt Relief Initiative, as it gave countries the opportunity to engage in new borrowing in order to meet the Millennium Development Goals. It was important to refine the debt sustainability framework of IMF and the World Bank and help countries implement sound debt strategies and establish strong public expenditure management and tax systems. IMF had introduced a new instrument to assist countries facing short-term balance-of-payments needs owing to external events.

26. There had been a broad consensus in the Committee that IMF would be effective only if all members had a strong sense of ownership and participation. The ministers had agreed on the need for major reforms and had called upon the Managing Director to work with IMF and the Executive Board to come up with concrete proposals for agreement at the meeting in Singapore set for September 2006.

27. **Ms. Rugwabiza** (Deputy Director-General, World Trade Organization) emphasized that it was crucial for the Doha Round to achieve results in 2006. If it did not, the consequences would be dire. Developing countries would lose the opportunity to make their exports available on world markets, small and poor countries would be further marginalized when it came to global trade, and doubts would grow as to the future of multilateralism in trade. Progress was urgently needed with respect to agricultural subsidies and market access for agricultural products. Agreement must be reached regarding tariffs on industrial products, and in the service sector. Negotiated texts must be drafted in such areas as anti-dumping and subsidies.

28. Aid for trade, which included technical assistance, institutional capacity-building, infrastructure improvements and adjustment assistance, would help developing countries acquire the tools and know-how necessary to benefit from more open world markets. It was not a substitute for a successful Doha Round but rather a necessary and valuable complement. It was part of a new mandate for WTO, a mandate which would be discharged in cooperation with the World Bank, the International Monetary Fund, United Nations agencies, regional development banks and trade, development and finance ministries. A successfully implemented aid-for-trade programme would offer millions of people the chance to escape poverty and live a decent life.

The meeting rose at 10.45 a.m.